

Message Text

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USDOC FOR BEWT/PIGGOTT

E.O. 11652: N/A

TAGS: BDIS, UR

SUBJECT: TRADE DISPUTE - PIONEER ENGINEERING AND MANUFACTURING
(PEM) VS. STANKOIMPORT

REF: STATE 166532

1. COMMERCIAL ATTACHE MET WITH V.I. SILIN AND I.V. VINOGRADOVA
OF STANKOIMPORT SEPTEMBER 10 AT COMMERCIAL OFFICE TO
DISCUSS PEM CASE REFTEL.)

2. REVIEW OF HISTORY OF PEM-STANKOIMPORT RELATIONSHIP REVEALED
(NOT UNEXPECTEDLY) THAT STANKOIMPORT'S VERSION OF CASE DIFFERS
IN SOME RESPECTS FROM PEM'S VIEW PRESENTED REFTEL. IN PAR-
TICULAR, SILIN REJECTED NOTION THAT STANKOIMPORT HAD EVER
ACCEPTED "IN PRINCIPLE" PEM'S CONTENTION THAT COMPANY WAS ENTITLED
TO PRICE INCREASES. SILIN ALSO NOTED THAT IN FEBRUARY 1973,
STANKOIMPORT HAD ADVISED PEM THAT BY FAILING MEET DELIVERY DATES
AND CEASING WORK ON EQUIPMENT, PENDING AGREEMENT ON HIGHER
PRICES, PEM HAD BROKEN CONTRACT AND THUS OWED STANKOIMPORT
PENALTY OF 10 PERCENT OF FACE VALUE OF CONTRACT. PEM'S
EVENTUAL REPLY, ACCORDING TO SILIN, WAS THAT STANKOIMPORT
COULD APPLY TO APPROPRIATE US COURTS IF IT WISHED OBTAIN
PENALTY, A COURSE OF ACTION WHICH SILIN SAID STANKOIMPORT DID
NOT INTEND TO FOLLOW.

3. COMMERCIAL ATTACHE ASKED WHETHER BEST COURSE WOULD NOT
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BE FOR STANKOIMPORT TO RECOGNIZE THAT FACTORS BEYOND PEM'S

CONTROL MADE IT IMPOSSIBLE COMPLETE CONTRACT AT ORIGINALLY-NEGOTIATED PRICE AND AGREE TO NEW PRICE, ASSUMING THAT SOVIET CUSTOMER STILL INTERESTED IN EQUIPMENT. IN THIS CONNECTION, COMMERCIAL ATTACHE STRESSED THAT EQUIPMENT WAS APPROXIMATELY 50 PERCENT COMPLETE.

4. SILIN SAID THAT STANKOIMPORT CATEGORICALLY RULED OUT ANY RENEGOTIATION OF PRICE AND SAID STANKOIMPORT REGARDED PEM AS UNRELIABLE FIRM WHICH HAD ALREADY FAILED TO LIVE UP TO ONE CONTRACT. SILIN AVOIDED RESPONDING TO QUESTION AS TO WHETHER CUSTOMER (GORKIY TRUCK PLANT-GAZ) WAS STILL INTERESTED IN PEM EQUIPMENT. SILIN SAID STANKOIMPORT REGARDS ITS CONTRACT WITH PEM AS STILL IN FORCE ALTHOUGH IT REALIZES THAT EQUIPMENT WILL NEVER BE DELIVERED UNDER EXISTING TERMS. FOR THIS REASON, STANKOIMPORT HAD INFORMED PEM'S MOSCOW REP (SATRA) THAT STANKOIMPORT WISHED FORMALLY TO CANCEL CONTRACT.

5. COMMENT: ON BASIS SILIN'S STATEMENTS, THERE WOULD APPEAR TO BE NO PROSPECT THAT STANKOIMPORT WILL AGREE TO HIGHER PRICE FOR PEM EQUIPMENT. ALTHOUGH IT IS POSSIBLE THAT GOR'KIY PLANT WOULD STILL WISH TO OBTAIN EQUIPMENT, SILIN DID NOT INDICATE

THAT THIS WAS THE CASE.

6. SILIN TOLD COMMERCIAL ATTACHE THAT STANKOIMPORT REGRETTED DISPUTE WITH PEM AND HOPED THAT THIS WOULD NOT IMPAIR GOOD RELATIONS WHICH HAVE DEVELOPED BETWEEN USDOC AND U.S. MACHINE TOOL INDUSTRY, ON ONE SIDE, AND STANKOIMPORT ON THE OTHER. AS SIGN OF STANKOIMPORT'S GOOD INTENTIONS, SILIN GAVE COMMERCIAL ATTACHE COPIES OF FIVE BID REQUESTS FOR EQUIPMENT WHICH STANKOIMPORT INTERESTED PURCHASING FROM U.S. SUPPLIERS. THESE BID REQUESTS WILL BE TRANSMITTED THROUGH NORMAL COMMERCIAL OPPORTUNITY CHANNEL.
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